IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	Chapter 11
FTX TRADING LTD., *et al.*,[1]	Case No. 22-11068 (KBO)
Debtors.	(Jointly Administered)

DECLARATION OF STEVEN P. COVERICK IN SUPPORT OF THE FTX RECOVERY TRUST'S OBJECTION TO THE AMENDED PROOF OF CLAIM FILED BY JOINT LIQUIDATORS OF THREE ARROWS CAPITAL

I, Steven P. Coverick, pursuant to 28 U.S.C. § 1746, hereby declare under penalty of perjury that the following is true and correct to the best of my knowledge, information, and belief:

1. I am a Managing Director at Alvarez & Marsal North America, LLC ("A&M"), a restructuring advisory services firm specializing in interim management, crisis management, turnaround consulting, operational due diligence, creditor advisory services and financial and operational restructuring.

2. I have more than ten years of restructuring and financial advisory experience across various industries, including cryptocurrency, energy, technology, media, telecommunications, logistics, and healthcare. I have a Bachelor's Degree from the Kelley School

[1] The last four digits of FTX Trading Ltd.'s and Alameda Research LLC's tax identification numbers are 3288 and 4063, respectively. Due to the large number of debtor entities in these chapter 11 cases, a complete list of the Debtors and the last four digits of their federal tax identification numbers is not provided herein. A complete list of such information may be obtained on the website of the Debtors' claims and noticing agent at https://cases.ra.kroll.com/FTX.

of Business at Indiana University, am a CFA® charterholder, and am recognized as a Certified Turnaround Professional by the Turnaround Management Association.

3. Since joining A&M, I have been involved in numerous Chapter 11 restructurings, including FTX Trading Ltd., Seadrill Limited, iHeart Media Inc., White Star Petroleum Holdings, LLC, Templar Energy LLC, and Expro International Group Holdings Limited.

4. I submit this declaration (the "Declaration") in support of the *FTX Recovery Trust's Objection to the Amended Proof of Claim Filed by the Joint Liquidators of Three Arrows Capital Ltd.* (including all exhibits and schedules thereto, the "Objection").[2] The Objection responds to the amended proof of claim ("Proof of Claim") filed by the Joint Liquidators of Three Arrows Capital Ltd. (the "Joint Liquidators").

5. I am not being compensated separately for this testimony other than through payments received by A&M as financial advisor retained by the FTX Recovery Trust. A&M was retained by FTX Trading Ltd. and its affiliated debtors and debtors-in-possession (collectively, the "Debtors") from November 11, 2022 through January 3, 2025, and A&M has been retained by the FTX Recovery Trust since January 3, 2025.

6. Except as otherwise indicated herein, all the facts set forth in this declaration are based upon my personal knowledge, my review of relevant documents, information provided to me by A&M professionals working under my supervision, or my opinion based upon my experience and knowledge related to the Debtors' operations, businesses, and financial condition.

[2] Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Objection.

If called upon to testify, I could and would testify to the facts set forth herein on that basis. I am authorized to submit this Declaration on behalf of the FTX Recovery Trust.

I. Operation of the FTX.com Exchange

A. Background on the FTX.com Exchange

7. Every Customer Account on the FTX.com exchange (the "Exchange") had an account balance ("Account Balance")[3], which was the aggregate balance of all asset entitlements associated with that Customer Account. The Account Balance reflected all of the credits and debits to the Customer Account from Exchange activities of that customer over the lifetime of that Customer Account. The Account Balance was the comprehensive measure of value for a Customer Account expressed in a net consolidated U.S. dollar equivalent value.

8. Every Customer Account also had sub-balances for the individual asset entitlements that collectively comprised the Account Balance. These sub-balances reflected all of the credits and debits for that particular asset associated with the Customer Account since the account was opened, and were interconnected with one another because trades typically involved the exchange of one asset for another. Via the user interface for a Customer Account, a customer could view the Account Balance for their Customer Account and sub-balances for the individual asset entitlements associated with their Customer Account.

[3] Balances for historical dates are not readily available in the Exchange's database. To provide historical balances figures (including the Account Balance and sub-balances for particular assets), the Debtors developed a tool to recalculate the quantity of each asset associated with the balance for a Customer Account at any given time, and applied pricing to determine the dollar value of the balance. Pricing for digital assets is based on following sequential logic: (a) prices already denominated in USD in the Exchange's database, (b) hourly or end of day pricing based on trade data from the Exchange's database, (c) where Exchange prices are unavailable, end of day closing prices from Yahoo! Finance (sourced from CoinMarketCap), (d) where Yahoo! Finance prices are unavailable, daily closing prices from CoinGecko, and (e) a zero value is applied where no pricing data is available. Given 3AC primarily traded in assets that were frequently transacted on the Exchange (*e.g.* BTC, ETH, and FTT), the pricing source for nearly all of 3AC's Account Balance is the Exchange's database. Although futures contracts are not themselves assets, pricing for futures contracts is based on Exchange data.

9. There was no balance for all digital assets in the aggregate or for all fiat currency assets in the aggregate that was separately visible to the customer via the user interface for a Customer Account. It is possible to group different subsets of assets together and aggregate the sub-balances for assets within those group into a sub-balance figure for purposes of analysis. This declaration refers to an aggregate sub-balance of all digital assets ("Digital Asset Balance") and an aggregate sub-balance of all fiat currency ("USD Balance"), which together formed the overall Account Balance which is expressed in a USD equivalent amount value. The Digital Asset Balance reflected all of the credits and debits to the Customer Account from Exchange activities that involved digital assets, and the USD Balance reflected all of the credits and debits to the Customer Account from Exchange activities that involved fiat currency. For example, the USD Balance reflected the USD deposited to and withdrawn from the Customer Account, received or paid via the customer's Exchange activity (*e.g.*, selling one BTC for USD), debited from the Customer Account on account of transaction fees or other trading activities, and any USD settlement payments arising from futures trades.

10. The Digital Asset Balance and the USD Balance were interconnected, and changed inversely to one another in connection with any trading activity involving the exchange of USD for digital assets (or vice versa). For example, if a customer sold BTC, their Digital Asset Balance (and individual BTC sub-balance) would decrease (reflecting that they no longer had an entitlement to the BTC that they sold), while their USD Balance would increase (reflecting that they were entitled to the USD proceeds from the BTC sale).

11. The Exchange generally did not permit a Customer Account to have a negative Account Balance at any time, with certain limited exceptions for internal corporate-controlled accounts and FTX affiliate entity accounts. The overall Account Balance, which

covered all activity across all assets, was required to be positive. The sub-balance for an individual asset type could be negative. A customer's USD Balance could be negative, provided that the overall Account Balance was positive and that the Customer Account was otherwise in compliance with other applicable requirements.

B. Leveraged Trading

12. FTX offered certain opportunities for customers to use leverage to acquire larger amounts of digital assets than could be acquired solely based on their own assets. Leveraged trading allowed customers to increase their potential upside, but also increased their potential risk. The amount of leverage that a customer could take on in connection with spot margin or perpetual futures trading was limited based on, among other things, that customer's Account Balance. Customers who used leverage to conduct spot margin or futures trading were subject to additional balance maintenance requirements, as described below, compared to customers who did not engage in similar trading.

1. Spot Margin Trading

13. Spot margin trading on the Exchange involved a customer purchasing one digital asset using another asset—either a digital asset or fiat currency—borrowed from other Exchange customers, not from the Exchange, through the spot margin lending program offered by the Exchange (the "Margin Program").

14. The Margin Program was a voluntary and competitive peer-to-peer market. Exchange customers opted into participation in the Margin Program by enabling this feature on their Customer Account. Once the feature was enabled, a customer would automatically access the Margin Program in connection with execution of a trade that, without the leverage accessed through the Margin Program, the customer would not have been permitted to execute based on the trade requiring payment of an asset in an amount exceeding the customer's sub-balance for that

asset. For example, without considering any applicable margin requirements, if a customer that had opted into the Margin Program had a positive $10,000 USD Balance and executed a trade that required payment of $25,000, then the customer would automatically borrow the other $15,000 from the pool of lending customers through the Margin Program simultaneous with the executed trade.

15. The Margin Program used an algorithm to connect the pools of borrowers and lenders, with the pool of lenders and interest rate for a particular spot margin loan changing on an hourly basis. At the beginning of an hour, customers who were willing to lend a particular asset would specify the quantity they were willing to lend, and the minimum interest rate they would require for the next hour. All lenders with open loan offers on that particular asset for the next hour would be grouped together in a pool. At the beginning of an hour, the Exchange would also group all the potential borrowers into a pool and calculate the total borrow demand for that particular asset. The lending offers were then sorted by minimum interest rate and the Exchange would automatically start fulfilling the borrow demand of all borrowers on a pro-rata basis until the total borrow demand was filled. Due to the pooling of borrowers and lenders, and the fact that borrow demand was filled on a pro-rata basis for all borrowers, every borrower in the borrower pool for that particular asset for that particular hour was borrowing from every lender in the lender pool for that particular asset for that particular hour, and vice versa. Every borrower in the borrower pool for that particular asset paid the same rate determined through this process for that particular hour. Similarly, every lender in the lender pool for that particular asset received the same interest rate. After that hour had passed, the pool of lenders and interest rate offers would be recalculated and the rate to be paid by the borrowers would change.

16. This peer-to-peer Margin Program was automatic and dynamic because loans were made simultaneously with trades, and the source of loans funds and payments thereon changed on an hourly basis. Borrowers borrowed from the particular pool of lenders for the given hour, not any individual lender who participated in that pool. There is no one-to-one borrower-lender relationship for any specific margin loan.

17. Buying digital assets using fiat currency borrowed through the Margin Program permitted customers to build larger positive Digital Asset Balances and larger negative USD Balances in their Customer Account, without affecting the overall Account Balance. Like for any spot trade (without regard to margin), when USD was used to purchase a digital asset, the result was a credit to the Digital Asset Balance (in the amount of the value of the digital asset purchased) and a debit to the USD Balance (in the amount of the USD paid for the digital asset). The difference between regular spot trading and margin trading utilizing USD was that the customer trading on margin used USD that was drawn from the Margin Program, not from their otherwise available USD Balance. Generally, a customer would only borrow from the Margin Program if they had a negative USD Balance (or would have a negative USD Balance because of the trade). The result of buying assets using funds borrowed from the Margin Program was a debit to the USD Balance, which increase the negative USD Balance (*i.e.*, make it more negative).

18. For example, if a Customer Account had a USD Balance of $60,000, and the price of BTC was $50,000, the customer could acquire only 1 BTC if they did not participate in the Margin Program. After the trade, the customer would have a positive Digital Asset Balance of $50,000 (reflecting the value of 1 BTC) and a positive USD Balance of $10,000. The Account Balance remained $60,000 (assuming no further price changes or fees).

19. By contrast, if the customer participated in the Margin Program and assuming there were no margin requirements, the customer could acquire 10 BTC by paying $500,000 in fiat currency—with the $60,000 USD Balance in the Customer Account, and $440,000 borrowed from other lenders through the Margin Program. After the trade, the customer would have a positive Digital Asset Balance of $500,000 (reflecting the value of 10 BTC) and a negative USD Balance of $440,000. The Account Balance would remain $60,000 (assuming no further price changes or fees).

20. Spot margin trading increases the customer's exposure to changes in the price of digital assets: the customer has the upside of price increases and downside of price declines for a larger amount of digital assets. The Account Balance (overall) is the same immediately following the trade in both scenarios above, but the latter has increased the customer's exposure to BTC prices by 9x. Subsequent changes in the price of the relevant digital asset would impact the Account Balance significantly more for the customer who traded using the Margin Program.

21. If the price of BTC increased to $55,000 (a 10% rise), the customer in the first example (who did not trade using the Margin Program) would still be entitled to one BTC, which now has a market value worth $5,000 more than she paid for it. Her Customer Account would show a positive Digital Asset Balance of $55,000 (an increase by $5,000), and a positive USD Balance of $10,000 (unchanged). The Account Balance increased from $60,000 to $65,000.

22. By contrast, the customer in the second example (who borrowed funds through the Margin Program) would still be entitled to ten BTC, which now have a market value worth $50,000 more than she paid for them. Her Customer Account would show a positive Digital

Asset Balance of $550,000 (an increase by $50,000), and a negative USD Balance of $440,000 (unchanged). The Account Balance would increase from $60,000 to $110,000.

23. If the price of BTC instead decreased to $45,000 (a 10% decrease), the customer in the first example would still be entitled to one BTC, with a market value worth $5,000 less than she paid for it. Her Customer Account would show a positive Digital Asset Balance of $45,000 (a decrease by $5,000), and a positive USD Balance of $10,000 (unchanged). The Account Balance would decrease from $60,000 to $55,000.

24. The customer in the second example would face more significant losses. She would still be entitled to 10 BTC, with a market value worth $50,000 less than she paid for them. Her Customer Account would show a positive Digital Asset Balance of $450,000 (a decrease by $50,000), and a negative USD Balance of $440,000 (unchanged). The Account Balance would decrease from positive $60,000 to positive $10,000. The impact of the market decline would be greater because the customer was more exposed to BTC price fluctuations by virtue of taking a larger leveraged position in assets (using borrowed funds) that declined in value.

25. The Exchange imposed requirements for customers, among other things, to maintain certain minimum balances in their Customer Accounts in order to open positions via spot margin trading, and to continue to keep leverage open on the Customer Account. Large positions taken via spot margin trading, particularly across multiple digital assets, presented the risk of significant declines in overall Account Balance during periods of market declines.

26. Whether an asset was bought or sold in connection with spot margin trading did not affect the manner in which the Exchange stored the relevant assets. Spot margin trades resulted in ledger entries (*i.e.*, credits and debits to Customer Accounts), not the movement of digital assets or fiat currency.

2. Perpetual Futures Trading

27. In addition to spot trading individual assets, customers could also take "futures" positions. These positions were, in essence, contractual bets on the future price of a digital asset that did not require the customer to buy or sell the digital asset.

28. The Exchange offered different types of futures contracts, but customers predominantly used perpetual futures, which remain open until the customer closes the position.

29. Perpetual futures contracts were standardized to reference one unit of a given digital asset (*e.g.*, one BTC), included a reference price for that digital asset determined by the market, and did not have a specified end date. One party to the contract took the "long" position (*i.e.*, betting the reference price will increase), and the other party took the "short" position (*i.e.*, betting the reference price will decrease). Perpetual futures contracts on the Exchange settled at least every 30 seconds, and then automatically reset. Every 30 seconds, the parties to the contract received a credit or a debit to their USD Balance in their Customer Accounts, depending on whether the reference price had gone up or down since the most recent settlement (*i.e.*, 30 seconds prior). If the reference price increased in the 30-second settlement window, the short party would make a payment to the long party. But if the reference price decreased, the long party would make a payment to the short party.

30. The reference price was established by the market for perpetual futures contracts on the Exchange (*e.g.*, BTC-PERP), which was separate from the spot market for that asset (*e.g.*, BTC). Parties opened new perpetual futures contracts in these markets by agreeing to a contract with a given reference price, and as a result the reference price was set by a competitive market. However, the reference price does *not* reflect any payment exchanged by the parties or any value for the perpetual futures contract itself—the perpetual futures market established the

reference prices used in contracts, but it was costless to open or close a perpetual futures contract (other than small trading fees paid to the Exchange).

31. The reference price was reset for the next 30-second window. Thus, every 30 seconds, the parties automatically made a new "bet" about where the price of the digital asset would go in the next 30 seconds, paid up, and bet again. This cycle would continue until a party closed its position. In this way, perpetual futures differed from conventional futures trading, which typically involves a contractually defined settlement date.

32. For example, if a customer opened 10 BTC-PERP contracts with a reference price of $50,000, and the reference price set by the BTC-PERP market increased by $5,000 (10%) in the next 30 seconds, she would receive an $50,000 credit to her USD Balance (*i.e.*, the settlement would increase her USD Balance by $5,000 for each of her 10 contracts). But, if the reference price decreased by $5,000 in the next 30 seconds, her account would be debited $50,000 USD, and her prior earnings would be automatically eliminated.

33. The parties' settlement payments made in USD every 30 seconds were the primary payment stream associated with perpetual futures contracts, but there were also small funding payments that were paid every hour to ensure that the reference price stayed close to the spot price for reference asset. These payments covered the differences between (i) the price of an underlying digital asset (e.g., BTC); and (ii) the prevailing reference price in the perpetual futures market (e.g., BTC-PERP). Especially in the case of less liquid digital assets, the reference price set by the market for the perpetual futures contract and the spot price for the underlying asset could diverge, creating a space for arbitrage, and funding payments attempt to eliminate that discrepancy. If, at the hourly mark, the reference price for the perpetual contract exceeds the price of the underlying digital asset, the long side would pay the short side the difference (*i.e.*, the funding

payments), and vice versa. In the case of heavily traded digital assets like BTC and ETH, the reference price for the perpetual futures contracts rarely diverged from the price of the underlying asset to a significant degree, and funding payments were typically much smaller.

34. A perpetual futures contract itself was not an asset that had value—it could not be sold or otherwise transferred for consideration. It was a derivative instrument to create exposure to the price movement of the underlying asset—the opportunity to receive a USD credit or debit depending on whether prices went up or down every 30-second interval. When a customer opened a perpetual futures position, the customer did not pay any amount for the contract itself, other than a small trading fee paid to the Exchange. There was no change to the customer's Account Balance (other than the decrease in USD Balance as a result of the fee). Similarly, when the customer closed the position, the only impact to the customer's Account Balance was a small trading fee paid to the Exchange.

35. Because the perpetual futures contracts themselves were not assets, the notional amount of a customer's perpetual futures position (*i.e.*, the number of contracts multiplied by the reference price for those contracts) had no bearing on the customer's Account Balance. This is because a perpetual futures contract was just a contract; it was neither a digital asset nor an entitlement to a digital asset that would otherwise be reflected in the Account Balance.

36. The notional amount of perpetual futures contracts also had no value because the profits and losses from the futures contracts were already part of the USD Balance. And because the notional amount did not represent a spot asset, there was no negative USD Balance associated with that notional amount.

37. Customers enrolled in the Margin Program could access funds loaned through the Margin Program in order to make payments in connection with their perpetual futures

trades, specifically to cover USD settlement payments following a loss during a 30-second window. Where the Customer Account required to make a settlement payment did not have a positive USD Balance in the amount of that payment, the necessary USD would be borrowed from the pool of customer lenders via the Margin Program. This access to the Margin Program allowed a customer to keep perpetual futures positions open despite a negative USD Balance, provided that their account satisfied relevant margin requirements.

3. Account Balance Maintenance Requirements for Spot Margin Trading and Perpetual Futures Trading

38. Exchange customers were subject to a variety of requirements to maintain a minimum level of assets in order to open and maintain leveraged positions on the Exchange, such as those accumulated through spot margin trading or perpetual futures trading. If the customer failed to comply with applicable requirements, FTX had the right to liquidate assets associated with the Customer Account, or to close the Customer Account.

39. FTX required a customer seeking to open a new position on margin to have an initial minimum value of assets associated with their Customer Account, which was referred to as the initial margin requirement. The customer was not required to maintain the initial margin requirement to keep the position open, but was required to comply with the initial margin requirement to make any subsequent leveraged trades.

40. FTX required a customer with an open position acquired via leverage to maintain a minimum value of assets for as long as the position was open (the "Maintenance Margin Requirement"). Two calculations were involved in determining compliance with the Maintenance Margin Requirement.

41. First, FTX calculated an adjusted value of the assets (that was distinct from the Account Balance) specifically for purposes of the Maintenance Margin Requirement (the

"Margin Trading Account Value").[4] To determine the Margin Trading Account Value, FTX applied a weighted formula whereby the market value of each asset associated with the Customer Account (used for purposes of the Account Balance) was multiplied by a "weight" multiplier. The weight multiplier was primarily based on liquidity and market capitalization of the applicable asset. Because the weight multipliers were always less than or equal to one, the Margin Trading Account Value was always less than or equal to the Account Balance. A multiplier was used in order to reflect the greater risk associated with certain assets, such as more volatile cryptocurrency tokens. If a Customer Account had a negative balance for a particular asset, then no weight multiplier was used, and the full negative balance was considered for purposes of the Margin Trading Account Value.

42. Second, FTX calculated the threshold that the Margin Trading Account Value must exceed to permit the customer to maintain their leveraged position (the "Maintenance Margin Level").[5] To calculate the Maintenance Margin Level, FTX would multiply the market value of the leveraged position by the applicable "maintenance margin percentage"; this was 3% for USD, and determined for other assets and futures positions based on the size, liquidity, and market capitalization of the applicable asset or position.

43. Both the Margin Trading Account Value and the Maintenance Margin Level were determined by formulas that incorporated the market price of digital assets associated with

[4] Like balances, historical Margin Trading Account Values are not readily available in the Exchange's database and have been recalculated by the FTX Recovery Trust utilizing available component data from the Exchange's database and the same pricing data used to calculate balances.

[5] Similar to balances and Margin Trading Account Values, historical Maintenance Margin Requirements are not readily available in the Exchange's database and have been recalculated by the FTX Recovery Trust utilizing available component data from the Exchange's database and the same pricing data used to calculate balances.

the Customer Account. Those market prices fluctuated constantly, and at times sharply. As a result, the Margin Trading Account Value and the Maintenance Margin requirement could increase or decrease quickly in line with market conditions. The Margin Trading Account Value and the Maintenance Margin Requirement were accessible to the customer at all times via the user interface for their Customer Account.

44. A customer complied with the Maintenance Margin Requirement when the Margin Trading Account Value was at or above the Maintenance Margin Level. FTX required a customer to be in compliance with the Maintenance Margin Requirement for as long as the leveraged position remained open. Although FTX in certain circumstances could send a margin call if customers did not meet the Maintenance Margin requirement, in most instances FTX would automatically begin liquidating their account until it was back in compliance. Depending on the facts and circumstances, including the customer's trading history, FTX could choose to fully liquidate or close a Customer Account to mitigate risk to the Exchange and other Exchange customers.

II. The 3AC Accounts

A. Overview of 3AC Accounts and Governing Agreements

45. Three Arrows Capital Ltd. ("3AC") opened a customer account on February 20, 2020 (the "3AC Accounts"). As of the Petition Date, the 3AC Accounts were structured as one main customer account with 15 subaccounts and a secondary account. Compliance with the Maintenance Margin Requirements and the Margin Trading Account value was assessed at the subaccount level. The vast majority of 3AC's leveraged trading occurred at a single subaccount.

1. Terms of Service

46. 3AC agreed to terms of service when it opened the 3AC Accounts, like other customers did when opening their Customer Accounts. Attached hereto as Exhibit A is a true and

correct copy of a document titled the "FTX Terms of Service," dated May 13, 2022 (the "Terms of Service"), which was the user agreement that specified the terms of service for the Exchange on and after May 13, 2022.

47. At least two prior versions of the terms of service for the Exchange have been identified. Attached hereto as Exhibit B is a true and correct copy of a document titled "FTX Exchange: Terms of Service," which I understand was the user agreement that specified the terms of service for the Exchange beginning at some point in 2019. Attached hereto as Exhibit C is a true and correct copy of a document titled "FTX Exchange: Terms of Service," which I understand was the user agreement that specified the terms of service for the Exchange beginning at some point in 2020.

48. Through the 3AC Accounts, 3AC could deposit, withdraw, buy, sell, and transfer digital assets and fiat currency, like other Exchange customers.

2. Line of Credit

49. 3AC was also the beneficiary of a "Line of Credit" provided by FTX. This "Line of Credit" functioned to increase the Margin Trading Account Value by the amount of the Line of Credit, thus allowing 3AC to take on more leveraged positions than it would otherwise be able to without the Line of Credit. The Line of Credit thus functioned in connection with 3AC's compliance with the Maintenance Margin Requirement. It also allowed 3AC to trade using leverage without resorting to borrowing from the Margin Program up to the amount of the Line of Credit.

50. 3AC's Line of Credit was increased over time through new agreements, until it stood at $120 million in June 2022.

51. 3AC's Customer Account was first permitted to use a $10 million Line of Credit in September 2020, which was increased to $20 million in March 2021. I am not aware of

any formal written agreement associated with either the initial $10 million Line of Credit or the increase to $20 million.

52. Under a Loan and Security Agreement dated October 22, 2021, 3AC's Line of Credit was increased to $100 million (the "October 2021 Line of Credit Agreement"). Attached hereto as Exhibit D is a true and correct copy of the October 2021 Line of Credit Agreement. While the October 2021 Line of Credit Agreement specified a Line of Credit limit of $100 million, the Exchange records reflected a limit of $120 million from October 26, 2021 onwards.

53. Under a new Line of Credit Agreement dated March 30, 2022 (the "March 2022 Line of Credit Agreement"), certain terms and conditions of 3AC's Line of Credit were modified, and the Line of Credit limit was increased in writing to $120 million, in line with what was already reflected in the Exchange records. In addition to raising the Line of Credit limit to $120 million, the March 2022 Line of Credit Agreement, also increased the Account Balance 3AC was required to maintain, as a condition to its continued access to the Line of Credit, to 200% of the amount of the Line of Credit (*i.e.*, $240 million). Attached hereto as Exhibit E is a true and correct copy of the March 2022 Line of Credit Agreement. FTX provided and 3AC used the Line of Credit, and 3AC exhausted all $120 million available to it.

B. Activity in the 3AC Accounts Before June 12, 2022

54. 3AC first began trading on the Exchange in 2020.

55. 3AC did not deposit more than $100 million or have a total quarter-end Account Balance exceeding $13 million in any one the first three quarters of 2020. 3AC's activity increased significantly in Q4 2020, when 3AC deposited $551 million to and withdrew $492 million from the 3AC Accounts. The scale of 3AC's activity continued to grow in 2021 and early 2022. 3AC deposited more than $1.8 billion in each quarter from Q1 2021 through Q1 2022,

and withdrew more than $1.7 billion in each such quarter. 3AC was also actively trading on the Exchange.[6]

56. 3AC's trading activity increased during Q2 2021, when 3AC gained $218 million via trading activity. It remained active in trades throughout the second half of 2021 and gained $230 million and $364 million, respectively, during Q3 and Q4 2021. 3AC continued trading on the Exchange during Q1 of 2022.

57. 3AC's trading changed in mid-May 2022, when it began to open large long spot margin positions in BTC. 3AC built significant spot positions of BTC using funds borrowed through the Margin Program. 3AC also opened significant long perpetual futures positions in BTC-PERP. At the time, BTC was trading at an almost 60% discount of the November 2021 all-time highest price.

58. Because 3AC spent funds borrowed from other customers via the Margin Program to acquire BTC (and thus build its positive Digital Asset Balance), there was a significant increase to 3AC's negative USD Balance. At this point, 3AC had fully utilized its Line of Credit.

59. Based on Coin Metrics historical data, from May 31, 2022 to the end of June 12, 2022, the price of BTC dropped by more than 16%, and the price of ETH dropped by more than 26%. 3AC's Account Balance decreased by approximately $270 million during this period.

60. The value of spot BTC associated with the 3AC Accounts decreased by $137 million from May 31, 2022 to June 12, 2022. During this period, 3AC also recorded losses of $101 million to its USD Balance due to payments made under BTC-PERP contracts. The 3AC

[6] All values included herein are approximate and rounded to the nearest million, unless specified otherwise.

Accounts further lost approximately $70 million (in reduced positive Digital Asset Balance) from ETH holdings, and lost another $17 million from other holdings. While 3AC had net deposits of $121 million in USD during this period, it also had net withdrawals of approximately $65 million worth of BTC, ETH, and other digital assets.

C. Activity in the 3AC Accounts on June 13 and June 14, 2022

61. On June 12, 2022, at 11:59 p.m. (UTC), the 3AC Accounts had a total, positive Account Balance across all assets of $284million. This Account Balance comprised of the sub-balances below:

Digital Asset Balance	$1,017 Million
USD Balance	($733 Million)
Total Account Balance	**$284 Million**

62. The Account Balance declined to $2 million at the end of the day on June 14, 2022 because of market price declines and withdrawals by 3AC.

63. Price declines were the most significant cause of the decline in the Account Balance. Based on Coin Metrics historical data, on June 13, 2022, the price of BTC dropped by nearly 16%, and the price of ETH dropped by nearly 16%. These market movements had two immediate consequences: (1) the positive Digital Asset Balance in the 3AC Accounts decreased as the result of the lower value of the digital assets; and (2) the negative USD Balance in the 3AC Accounts increased because 3AC continued to make settlement payments in USD every 30 seconds under its long perpetual futures contracts.

64. Table 1 below identifies net impact these price declines had on the Digital Asset Balance (and Account Balance) from 12:00 a.m. (UTC) on June 13, 2022 to 11:59 p.m. (UTC) on June 14, 2022.

Table 1: Decline in Value of Assets Held in 3AC Accounts from Market Movements

Asset	Percentage Change	Impact on Digital Asset Balance
BTC	17% decline	$95 million loss
ETH	16% decline	$29 million loss
GBTC	19% decline	$13 million loss
ETHE	15% decline	$6 million loss
FTT	14% decline	$6 million loss
Other tokens	N/A	$300 thousand gain
Total	N/A	$148 million loss

65. Price declines also caused 3AC to take substantial losses as the result of its perpetual futures contracts. 3AC primarily held long side BTC-PERP contracts: meaning that, when the price of BTC declined, 3AC's account would make a settlement payment every 30 seconds to reflect the change. Because 3AC had a negative USD Balance, these debits further increased 3AC's negative USD Balance. 3AC paid $74 million in USD via settlements under BTC-PERP contracts on June 13 and 14, 2022.

Table 2: Decline in USD Balance of 3AC Accounts from Perpetual Futures Contracts

Contract	Percentage Change for Reference Asset	Impact on USD Balance
BTC-PERP	17% decline	$74 million loss

66. Withdrawals by 3AC also drove down the Account Balance. On June 13, 2022, 3AC made six withdrawals: (1) $2 million worth of FTT at 7:26 a.m.; (2) $35 million USD[7] between 10:18 p.m. and 10:22 p.m.; and (3) $4 million worth of BTC at 10:34 p.m. 3AC made nine additional withdrawals of ETH worth $18 million starting at 8:06 a.m. on June 14. None of these withdrawals went to an address controlled by FTX or any affiliate thereof. These

[7] The withdrawal reduced the USD sub-balance on the Exchange, but USDC was the asset withdrawn by 3AC. Certain stablecoins, including USDC, were indistinguishable from USD on the Exchange and once deposited were treated as USD for purposes of a user's exchange balance. When withdrawn, users had an option to select either USD fiat or one of the indistinguishable stablecoins, including USDC.

withdrawals reduced the positive Digital Asset Balance when they involved a digital asset and increased the negative USD Balance when they involved fiat currency. Table 3 below shows the withdrawals made by 3AC on June 13 and 14, 2022.

Table 3: 3AC Withdrawals June 13, 2022 – June 14, 2022

Date & Time (UTC)	Asset	Units Withdrawn	Spot Debit	USD Debit	Account Balance Impact
7:26 a.m. (June 13)	FTT	98,810	$2 million	None	$2 million decrease
10:18 p.m. (June 13)	USD	35,000,000	None	$35 million	$35 million decrease
10:34 p.m. (June 13)	BTC	195	$4 million	None	$4 million decrease
8:06 a.m. (June 14)	ETH	14,900	$18 million	None	$18 million decrease
All	**All**	**N/A**	**$25 million**	**$35 million**	**$60 million decrease**

67. Table 4 below shows the impact of price declines and withdrawals by 3AC on the Account Balance on June 13 and 14, 2022.

Table 4: Causes of Decline in Account Balance on June 13 and 14, 2022

Cause	Amount	Percentage of Decline
Price Declines	$222 million	79%
-Spot	*$148 million*	*53%*
-USD (Futures)	*$74 million*	*26%*
3AC Withdrawals	$60 million	21%
Total Decrease	**$282 million**	**100%**

68. 3AC also made more than 52,000 trades on June 13 and 14, 2022 in which they sold digital assets for USD. These trades resulted in a debit to the Digital Asset Balance and an equivalent credit to the USD Balance. These trades did not change the Account Balance.

69. 3AC sold 26,585 BTC to other Exchange participants between 7:29 a.m. (UTC) on June 13 and 7:01 a.m. (UTC) on June 14, which resulted in more than $611 million in debits to the Digital Asset Balance and credits to the USD Balance for the 3AC Accounts.

70. At 10:21 p.m. (UTC) on June 14, 2022, FTX initiated a series of liquidating transactions in which digital assets were sold totaling $82 million (the "Liquidation"). The Liquidation resulted in 24 trades that debited Digital Asset Balance by $82 million and credited the USD Balance by the same amount. The Liquidation was neutral with respect to the Account Balance by exchanging one type of asset (digital assets) for another (USD).

71. Table 5 below identifies the trades for the 3AC Accounts on June 13 and 14, 2022, and their impact on the Digital Asset Balance, USD Balance, and overall Account Balance.

Table 5: 3AC Trades June 13, 2022 – June 14, 2022

Asset	No. Trades	Units Sold	Digital Asset Debit	USD Credit	Account Balance Impact
BTC	16,158	26,585	$611 million	$611 million	None
ETH	17,980	122,874	$150 million	$150 million	None
GBTC	1	2,847,917	$38 million	$38 million	None
ETHE	1	2,500,916	$18 million	$18 million	None
FTT	14,479	1,123,117	$26 million	$26 million	None
Other tokens	3,893	n/a	($1 million)	($1 million)	None
Total	**52,512**	**n/a**	**$842 million**	**$842 million**	**None**

72. Table 6 shows the Account Balance for the 3AC Accounts at the end of each hour on June 13 and 14, 2022, rounded to the nearest million.

Table 6: 3AC Account Balance by Hour, June 13-14, 2022

June 13		June 14	
Time (UTC)	Account Balance	Time (UTC)	Account Balance
12:00 a.m.	$284 million	12:00 a.m.	$31 million
1:00 a.m.	$264 million	1:00 a.m.	$23 million
2:00 a.m.	$232 million	2:00 a.m.	$16 million
3:00 a.m.	$207 million	3:00 a.m.	$19 million
4:00 a.m.	$216 million	4:00 a.m.	$25 million
5:00 a.m.	$210 million	5:00 a.m.	$24 million
6:00 a.m.	$203 million	6:00 a.m.	$32 million
7:00 a.m.	$210 million	7:00 a.m.	$32 million
8:00 a.m.	$168 million	8:00 a.m.	$31 million
9:00 a.m.	$133 million	9:00 a.m.	$11 million

June 13		June 14	
Time (UTC)	**Account Balance**	**Time (UTC)**	**Account Balance**
10:00 a.m.	$123 million	10:00 a.m.	$9 million
11:00 a.m.	$119 million	11:00 a.m.	$8 million
12:00 p.m.	$103 million	12:00 p.m.	$8 million
1:00 p.m.	$101 million	1:00 p.m.	$10 million
2:00 p.m.	$103 million	2:00 p.m.	$11 million
3:00 p.m.	$63 million	3:00 p.m.	$12 million
4:00 p.m.	$88 million	4:00 p.m.	$13 million
5:00 p.m.	$103 million	5:00 p.m.	$12 million
6:00 p.m.	$97 million	6:00 p.m.	$11 million
7:00 p.m.	$91 million	7:00 p.m.	$10 million
8:00 p.m.	$86 million	8:00 p.m.	$9 million
9:00 p.m.	$89 million	9:00 p.m.	$8 million
10:00 p.m.	$84 million	10:00 p.m.	$7 million
11:00 p.m.	$33 million	11:00 p.m.	$2 million

73. Nearly all of 3AC's futures trades during June 2022 involved perpetual futures. 3AC held an immaterial number of non-perpetual futures in June 2022. The calculated gains on these non-perpetual futures contracts during the period was $7 thousand.

D. Margin Liquidation on June 14, 2022

74. The Account Balance for the 3AC Accounts dropped below $240 million by 2:00 (a.m.) UTC on June 13, 2022 and thereafter. The Margin Trading Account Value for the 3AC Accounts fell below the Maintenance Margin Level absent the Line of Credit at approximately 9:00 a.m. (UTC) on June 13, 2022.

75. At 8:06 a.m. (UTC) on June 14, 2022, 3AC withdrew approximately $18 million worth of ETH, further reducing the Account Balance.

76. FTX commenced the Liquidation at 10:21 p.m. (UTC) that same day. Just before the first liquidating transaction, the 3AC Accounts had a total positive Account Balance of approximately $7 million, comprised of a positive Digital Asset Balance of $89 million and a negative USD Balance of $81 million.

77. The $82 million Liquidation occurred in two steps. First, starting at 10:21 p.m. (UTC), after the 3AC Accounts had been out of compliance with the account balance requirements under the March 2022 Line of Credit Agreement for at least 44 hours, FTX performed a series of managed liquidation transactions involving four assets: ETH, FTT, Grayscale Bitcoin Trust ETF Tokenized Stock ("GBTC"), and Grayscale Ethereum Trust ETF Tokenized Stock ("ETHE"). These assets were collectively sold by FTX for approximately $81 million USD. Second, eight minutes later, starting at 10:29 p.m. (UTC), FTX removed the Line of Credit from the 3AC Accounts. An additional $1 million in assets were then auto-liquidated by FTX starting at 10:47 p.m. (UTC).

78. The Liquidation on June 14, 2022 resulted in the exchange of $82 million worth of digital assets for $82 million in USD in the 3AC Accounts. The Liquidation did not decrease or otherwise impact the Account Balance, because while the positive Digital Asset Balance decreased as digital assets were sold, the proceeds from the Liquidation ($82 million) reduced the negative USD Balance in an equal amount.

79. Limited trading occurred in the 3AC Accounts after this point. The Account Balance decreased to $2 million by the end of June 14, 2022. That balance remained subject to market movements for the assets that remained, and the Account Balance was $1 million on July 12, 2022 when the Joint Liquidators received access to the 3AC Accounts, and $1 million on the Petition Date.

80. The Liquidation benefitted 3AC by preserving the value of the 3AC Accounts. Through the Liquidation, 3AC exited deteriorating positions in digital assets in favor of stable positions in fiat currency. The decision to liquidate was reasonable and necessary at the time: had the Liquidation not occurred, the Account Balance would have been negative $1 million

12 hours after the Liquidation time, and the Account Balance would have fallen to negative $18 million by the Petition Date[8].

E. Impact of Open Notional Futures Positions on 3AC Account Balance

81. As noted above, futures contracts were not an asset on the Exchange and did not represent or form a part of any customer's Account Balance. Thus, futures contracts were not part of the Account Balance for the 3AC Accounts at the end of the day on June 12, 2022.

82. The Account Balance and sub-balances for any asset or group of assets at any point in time can be determined based on primary source data from the Exchange. Specifically, transactions that contribute to or result in a change to the Account Balance and related sub-balances (*e.g.*, deposits, withdrawals, transfers from one customer to another, and trades between customers) are identified in 10 spreadsheets derived directly from Exchange records. The overall Account Balance can be determined by aggregating the effect of each transaction in the 3AC Accounts between their inception and the relevant point in time, and then applying applicable pricing as of the relevant time to the assets associated with the 3AC Accounts. Similarly, the sub-balance for any particular asset can be determined by aggregating the effect of each transaction in the 3AC Accounts involving the relevant asset between their inception and the relevant point in time, and then applying applicable pricing as of the relevant time to that asset. A&M explained this process for determining accurate balances based on primary source data to the Joint Liquidators on March 19, 2024.

83. Based on this primary source data, at the end of the day on June 12, 2022 (11:59 p.m. UTC), the 3AC Accounts had an Account Balance of approximately $284 million, a

[8] Pricing at Petition Date based on the Digital Asset Conversion Table attached as Exhibit 1 to the *Motion of Debtors to Estimate Claims Based on Digital Assets* [D.I. 5202].

positive Digital Asset Balance of approximately $1.017 billion, and a negative USD balance of $733 million.

84. The Proof of Claim includes an allegation that, at the end of the day on June 12, 2022, the 3AC Accounts had a positive Digital Asset Balance of $1,596,291,633.02 and a negative USD Balance of $1,332,681,172.34. (Proof of Claim ¶ 40.) These figures are inaccurate. Each is overstated by similar amounts: approximately $581 million for the Digital Asset Balance and $576 million for the USD balance (explained below). Based on my review, this overstatement resulted from the inclusion of the notional amount of 3AC's open futures positions as of the end of the day on June 12, 2022 as a part of the Digital Asset Balance, and the inclusion of a corresponding (and off-setting for purposes of the Account Balance) deduction from the USD Balance, as affected by the pricing applied by the Joint Liquidators.

85. The Joint Liquidators state that they derived Digital Asset Balance and USD Balance figures asserted in the Proof of Claim from two documents produced by the Debtors: FTX_3AC_000000002 and FTX_3AC_000000038.[9] (Proof of Claim ¶40 n.20.)

86. FTX_3AC_0000000002 is a spreadsheet reflecting all executed trades involving the 3AC Accounts. This document can be used to identify the quantity of futures contracts that 3AC had open at particular points in time, including on June 12, 2022 when 3AC had over 8.5 million open futures contracts. Because the futures contracts do not form a part of the Account Balance, this spreadsheet does not include information about the Account Balance or other components thereof.

[9] FTX_3AC_000000038 excludes $24 million of deposits in 3AC's account on March 11, 2022 and March 22, 2022 marked as incomplete in the Exchange database that were later determined to be credited to 3AC's account by an administrative override prepetition while the Exchange was operational. The FTX Recovery Trust reserves all rights as to this $24 million.

87. FTX_3AC_0000000038 is a spreadsheet reflecting summary work product created by A&M and provided to the Joint Liquidators as part of the informal discovery process, and is not primary source data from the Exchange. It includes information about daily sub-balances for different assets associated with the 3AC Accounts, and was created by consolidating transactions in the 3AC Accounts and applying pricing data to determine daily balances in USD.

88. FTX_3AC_000000038, when filtered to June 12, 2022, included a figure for USD of negative $1,332,681,172.34. But this figure was, in fact, the result of the misapplication of a pricing methodology used for purposes of creating the Debtors' Schedules of customer claims.

89. During June 2023, when scheduling customer claims in connection with the FTX bankruptcy proceedings, the Debtors listed the assets associated with the 3AC Accounts as of the Petition Date. This process involved identifying the quantities of each type of asset within customer schedules so that pricing could be applied at a later time during the claim allowance and estimation process, including to allow for resolution of disputes about pricing and estimation thereof.

90. Although futures contracts that were open at the Petition Date were not assets that formed any part of the Account Balance, the Unsecured Creditor Committee requested that the Debtors nonetheless include in the Schedules the number of open futures contracts held by a customer on a separate line within the schedules.[10] As part of that methodology, to calculate the amount of a customer's claim using the Scheduled quantities, the Debtors would ascribe a

[10] This separate figure allowed the parties to value the USD reference price for the final 30-second window before the Petition Date. As described above, the profits and losses on those contracts had already been settled in USD, and were part of the USD Balance as of the Petition Date.

value for any open futures positions—using a reference price for each contract (as applicable) as of the Petition Date—to the number of open futures positions, and would also ascribe a corresponding offsetting negative amount to the USD Balance, such that the Account Balance (*i.e.* the net of the Digital Asset Balance, and the USD Balance) was no different whether the futures positions were included or not.

91. This methodology was developed in the specific context of scheduling customer claims, and did not impact the Account Balance that determined the value of customer claims.

92. In creating FTX_3AC_0000000038, A&M utilized a programming script that calculated USD by bifurcating certain amounts based on the approach taken in connection with scheduling. This led to the inclusion of the offsetting deduction from the USD figure to account for the inclusion of the notional amount of futures contracts in the schedule. Because the notional amount of futures contracts does not reflect any asset or part of the balance, that separate figure was not included in FTX_3AC-0000000038. In this sense, FTX_3AC_000000038 can be considered incomplete work product in the context of the proposition for which the Joint Liquidators seek to use this document (*i.e.*, isolating particular components of the Account Balance without accounting for the rest), because it included a negative offset to USD but not the notional amount of futures that created the need for this offset. This was communicated to the Joint Liquidators on July 26, 2024, as part of the Debtors' responses and objections to the Joint Liquidators first set of interrogatories.

93. Whereas the Joint Liquidators appear to have derived their figure for the negative USD Balance from FTX_3AC_0000000038, it appears that they derived the figure for the Digital Asset Balance from FTX_3AC_0000000002 and the application of pricing data thereto.

Although the Joint Liquidators calculated a $581 million figure for the notional amount of futures as of the end of June 12, 2022, based on pricing sourced by the Joint Liquidators, the Recovery Trust identified the notional amount of futures at that time as approximately $576 million based on the Exchange's pricing.

94. The overall Account Balance is unaffected by the use of this methodology because the positive Digital Assets Balance and negative USD Balance increased by the same amount, leaving the Account Balance as of the end of June 12, 2022 the same: approximately $284 million.

III. 3AC Cannot Trace Any Asset Entitlements Reflected in the 3AC Accounts as of June 12, 2022.

95. On September 30, 2024, the Debtors submitted a declaration (the "Mosley Confirmation Declaration") by my partner at A&M, Edgar W. Mosley II, in support of confirmation the Debtors' Second Amended Joint Chapter 11 Plan of Reorganization (the "Plan") [D.I. 26044]. On October 7, 2024, at the hearing regarding confirmation of the Plan, the Mosley Confirmation Declaration was admitted into evidence by the Court as direct testimony without objection (Oct. 7 Tr. at 41:11) and Mr. Mosley was subject to cross-examination (*id.* at 41:23-45:1).

96. I have reviewed the Mosley Confirmation Declaration and am not aware of any information that would cause me to alter or amend any of the facts set forth therein. Accordingly, I expressly rely upon and adopt the Mosley Confirmation Declaration (attached as Exhibit F hereto) in connection with certain additional conclusions relevant to the Objection as set forth in paragraphs 97-111 below.

97. *First*, the conclusions articulated in the Mosley Confirmation Declaration regarding the Debtors' commingling of Digital Assets at the Petition Date are applicable as of June 2022.

98. *Second*, the conclusions articulated in the Mosley Confirmation Declaration regarding the Debtors' commingling of Digital Assets at the Petition Date are applicable to the 3AC Accounts. In other words, based on my review of the activity in the 3AC Accounts set forth below, it would be impossible to trace any of 3AC's entitlements to any digital assets associated with the 3AC Accounts as of the end of the day on June 12, 2022 to any digital assets held by FTX Group on June 12, 2022 or to any digital assets currently held by the FTX Recovery Trust.

99. At the end of the day on June 12, 2022 (*i.e.*, 11:59 p.m. UTC), the 3AC Accounts reflected primarily entitlements to BTC, ETH, FTT, GBTC, and ETHE, in addition to small entitlements to other assets that in the aggregate totaled approximately $600 thousand.

A. Bitcoin (BTC)

100. On February 3, 2022, 3AC had a short position as to BTC. Thus, there was a negative entitlement to BTC recorded in the 3AC Accounts. Between February 4, 2022 and June 12, 2022, 3AC deposited 8,617 BTC, acquired entitlements to 41,029 BTC through trades on the FTX.com Exchange, and withdrew 22,710 BTC. Given the substantial amount of activity in the 3AC Accounts with respect to BTC during this time period, it is impossible to trace 3AC's entitlement to the 26,780 BTC reflected in the 3AC Accounts as of day end on June 12, 2022 to any specific deposit or trade.

101. Further, by end of day on June 12, 2022, all of the BTC that 3AC deposited had been swept out of the Deposit Addresses[11] associated with 3AC's customer account and there was no BTC held in a segregated account for 3AC. Thus, I believe that it would be impossible to trace any BTC that 3AC deposited to digital assets that were held by the FTX.com Exchange on June 12, 2022 or that are currently held by the FTX Recovery Trust.

B. Ethereum (ETH)

102. On November 30, 2021, 3AC had a short position as to ETH. Thus, there was a negative entitlement to ETH recorded in the 3AC Accounts. Between December 1, 2021 and June 12, 2022, 3AC deposited 281,357 ETH, acquired entitlements to 102,937 ETH through trades on the FTX.com Exchange, and withdrew 245,101 ETH. Given the substantial amount of activity in the 3AC Accounts with respect to ETH during this time period, it is impossible to trace 3AC's entitlement to the 137,774 ETH reflected in the 3AC Accounts as of day end on June 12, 2022 to any specific deposit or trade.

103. Further, by end of day on June 12, 2022, all of the ETH that 3AC deposited had been swept out of the Deposit Addresses associated with the 3AC Accounts into the Sweep Addresses, and there was no ETH held in a segregated account for 3AC. Thus, I believe that it would be impossible trace any ETH that 3AC deposited to digital assets that were held by the FTX.com Exchange on June 12, 2022 or that are currently held by the FTX Recovery Trust.

[11] As explained in the Mosley Confirmation Declaration, "[w]hen an asset was deposited with one of the FTX Exchanges by a customer, that asset moved from an external address or account into an address or account owned and controlled by an entity within FTX Group" (a "Deposit Address").

C. FTT

104. Between 3AC's account creation on February 20, 2022 and June 12, 2022, 3AC deposited 20,519,049 FTT, acquired entitlements to 272,839 FTT through trades and 849,995 FTT through transfers on the FTX.com Exchange, and withdrew 20,418,952 FTT. Given the substantial amount of activity in the 3AC Accounts with respect to FTT during this time period, it is impossible to trace 3AC's entitlement to the 1,222,931 FTT reflected in the 3AC Accounts as of day end on June 12, 2022 to any specific deposit, transfer or trade.

105. Further, by end of day on June 12, 2022, all of the FTT that 3AC deposited had been swept out of the Deposit Addresses associated with the 3AC Accounts and there was no FTT held in a segregated account for 3AC. Thus, I believe that it would be impossible trace any FTT that 3AC deposited to digital assets that were held by the FTX.com Exchange on June 12, 2022 or that are currently held by the FTX Recovery Trust.

D. Grayscale Bitcoin Trust ETF Tokenized Stock (GBTC)

106. GBTC was a tokenized stock. A tokenized stock is a digital representation of a publicly traded stock, where the FTX.com Exchange used a derivative-based approach that aims to mimic the price movements of the underlying publicly traded stock. GBTC was meant to mimic the price movements of the Grayscale Bitcoin Trust ETF, which is passively invested in Bitcoin held by the Grayscale Bitcoin Trust, less expenses and other liabilities.

107. GBTC tokenized stock on the FTX.com Exchange was created by the Debtors and could only be accessed through the FTX.com Exchange for certain eligible customers. It could not be withdrawn from the FTX.com Exchange and, thus, could not be deposited. The FTX Recovery Trust has not located any Grayscale Bitcoin Trust ETF shares in brokerage accounts owned by the FTX.com Exchange.

108. Between December 21, 2021 and June 12, 2022, 3AC acquired entitlements to 2,847,917 GBTC through trading on the FTX.com Exchange. 3AC never deposited any GBTC on the FTX.com Exchange so there was never any GBTC in any Deposit Addresses associated with the 3AC Accounts. Thus, there was no GBTC or BTC held in a segregated account for 3AC and it is impossible to trace 3AC's entitlement to the 2,847,917 GBTC reflected in the 3AC Accounts as of day end on June 12, 2022 to any shares of GBTC that were held by the FTX.com Exchange on June 12, 2022 or that are currently held by the FTX Recovery Trust.

E. Grayscale Ethereum Trust ETF Tokenized Stock (ETHE)

109. ETHE was also a tokenized stock. Similar to GBTC, ETHE was meant to mimic the price movements of the Greyscale Ethereum Trust ETF, which is passively invested in Ethereum held by the Grayscale Ethereum Trust, less expenses and other liabilities.

110. ETHE tokenized stock on the FTX.com Exchange was created by the Debtors and could only be accessed through the FTX.com Exchange for certain eligible customers. It could not be withdrawn from the FTX.com Exchange and, thus, could not be deposited. The FTX Recovery Trust has not located any Grayscale Ethereum Trust ETF shares in any brokerage accounts owned by the FTX.com Exchange.

111. Between December 21, 2021 and June 12, 2022, 3AC acquired entitlements to 2,500,916 ETHE through trading on the FTX.com Exchange. 3AC never deposited any ETHE so there was never any ETHE in any Deposit Addresses associated with the 3AC Accounts. Thus, there was no ETHE or ETH held in a segregated account for 3AC and it is impossible to trace 3AC's entitlement to the 2,500,916 ETHE reflected in the 3AC Accounts as of day end on June 12, 2022 to any shares of ETHE that were held on the FTX.com Exchange on June 12, 2022 or that are currently held by the FTX Recovery Trust.

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge and belief.

Dated: June 20, 2025

/s/ Steven P. Coverick

Steven P. Coverick
Alvarez & Marsal North America, LLC
Managing Director